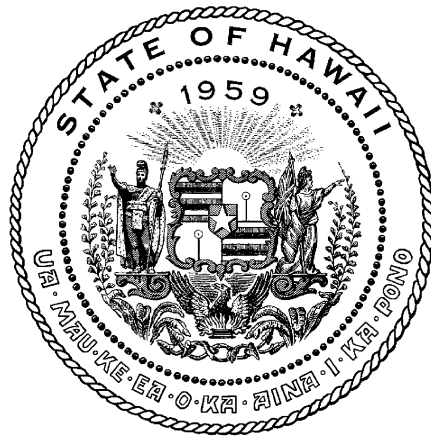


# DIGEST OF TAX MEASURES

Enacted by the State of Hawaii  
Twenty-First Legislature  
Regular Session of 2002



Prepared by the  
State of Hawaii  
Department of Taxation

Issued: July 26, 2002

# Digest of Tax Measures

Enacted by the State of Hawaii  
Twenty-First Legislature - Regular Session of 2002

The following is a digest of bills passed by the 2002 Legislature and enacted into law.\* Three substantive tax measures were vetoed by the governor. The digest includes only those measures which affect Hawaii's tax laws and is provided for your information. It is issued solely as a guide and is not intended to be either authoritative or complete. Copies of the bills passed by the Legislature may be obtained from the Senate and House printshops, respectively. Bills and Acts are also accessible via the Internet on the State capitol website at <http://www.capitol.hawaii.gov>, or on the Department of Taxation's website at <http://www.state.hi.us/tax>.

## KEY TO ABBREVIATIONS:

SB	=	Senate bill
SD	=	Senate draft
HB	=	House bill
HD	=	House draft
CD	=	Conference draft
SCR	=	Senate Concurrent Resolution
HCR	=	House Concurrent Resolution
SSCR	=	Senate standing committee report
HSCR	=	House standing committee report
CCR	=	Conference committee report
SECT AFF	=	Section(s) of the Hawaii Revised Statutes affected by the bill's provisions
HRS	=	Hawaii Revised Statutes
HAR	=	Hawaii Administrative Rules
SLH	=	Session Laws of Hawaii

\* This digest also includes three tax measures passed by the 2001 Legislature, Third Special Session, and enacted into law.



DIGEST OF TAX MEASURES  
TABLE OF CONTENTS

<b>ADMINISTRATIVE TAX MEASURES</b> .....	<b>1</b>
ACT 153	
HB 2568, HD1, SD1, CD1 <TAX-03> RELATING TO THE COLLECTION OF TAXES .....	1
<b>GENERAL EXCISE / USE / PSC TAX MEASURES</b> .....	<b>2</b>
ACT 098	
HB 2569, HD1, SD1 <TAX-04> RELATING TO THE CONFORMITY OF THE STATE TAX LAWS TO THE UNITED STATES CONSTITUTION .....	2
ACT 110	
HB 2571, SD1 <TAX-06> RELATING TO TAXATION OF PERSONS WITH IMPAIRED SIGHT OR HEARING OR WHO ARE TOTALLY DISABLED THAT ARE ENGAGED IN BUSINESS .....	2
ACT 146	
HB 2454, SD1, CD1 <BED-14> RELATING TO ENTERPRISE ZONES .....	2
ACT 176	
HB 1256, HD2, SD2, CD1 RELATING TO SOLID WASTE MANAGEMENT .....	3
ACT 209	
HB 1684, HD1, SD2 <TAX-02> RELATING TO STATE AND LOCAL TAXATION OF MOBILE TELECOMMUNICATIONS SERVICES. ....	3
ACT 225	
HB 2720, HD1, SD1, CD1 RELATING TO THE USE TAX .....	4
ACT 236	
SB 2885, SD2, HD1 RELATING TO TAXATION .....	4
<b>INCOME TAX MEASURES</b> .....	<b>5</b>
ACT 063	
HB 2365 RELATING TO TAXATION .....	5
ACT 174	
SB 2831, SD1, HD1, CD1 <TAX-10> RELATING TO AN EXTENSION OF THE RESIDENTIAL CONSTRUCTION AND REMODELING INCOME TAX CREDIT .....	5
ACT 190	
HB 1996, SD1, CD1 RELATING TO THE ADMINISTRATION OF TAXES .....	5
ACT 223	
SB 2824, SD2, HD1, CD1 <TAX-01> RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE .....	6
ACT 230	
SB 2036, SD1, HD2, CD1 RELATING TO EDUCATION .....	6

TABLE OF CONTENTS

---

<b>MISCELLANEOUS TAX MEASURES</b> .....	<b>7</b>
ACT 094	
HB 2429, HD1 <ATG-06>	
RELATING TO TOBACCO .....	7
ACT 206	
SB 2582	
RELATING TO CAPTIVE INSURANCE .....	7
ACT 246	
HB 2741, HD2, SD2, CD1	
RELATING TO THE CIGARETTE AND TOBACCO TAX .....	7
<b>OTHER RELATED MEASURES</b> .....	<b>8</b>
ACT 245	
HB 2638, HD2, SD1, CD1	
RELATING TO THE HAWAII LONG-TERM CARE FINANCING ACT .....	8
ACT 251	
SB 2416, SD2, HD2, CD2	
RELATING TO THE HAWAII LONG-TERM CARE FINANCING ACT .....	8
<b>VETOED MEASURES</b> .....	<b>9</b>
VETO (June 24, 2002)	
SB 2383, SD2, HD2, CD1	
RELATING TO TAXATION TO STIMULATE THE ECONOMY .....	9
VETO (June 24, 2002)	
SB 2907, SD2, HD2, CD1	
RELATING TO TAXATION .....	9
VETO (June 20, 2002)	
SB 2985, SD2, HD2, CD1	
RELATING TO QUALIFIED IMPROVEMENT TAX CREDIT .....	10
<b>TABLE SHOWING EFFECT OF ACTS</b> .....	<b>11</b>
<b>DIGEST OF ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001 (EGTRRA)</b> ...	<b>13</b>
<b>2001 THIRD SPECIAL SESSION - TAX MEASURES ENACTED</b> .....	<b>29</b>
<b>DIGEST OF TAX MEASURES - INDEX BY BILL NUMBERS</b> .....	<b>31</b>
<b>DIGEST OF TAX MEASURES - INDEX BY ACT NUMBERS</b> .....	<b>32</b>

**ADMINISTRATIVE TAX MEASURES**

**ACT 153**

**HB 2568, HD1, SD1, CD1 <TAX-03>**

**RELATING TO THE COLLECTION OF TAXES**

HSCR 0449-02; SSCR 3173; CCR 008

SECT AFF: 231-\_\_\_(1 SECTION), 231-25, 235-64, 237-19

Assist DOTAX in the collection of taxes by: (1) expanding DOTAX's current authority to ascertain the fair market value (FMV) of sales between affiliated companies or persons when the consideration paid is not indicative of the FMV of sales and all taxes; (2) providing a continuous levy on the salary or wages of a delinquent taxpayer; (3) indemnifying a person from third parties when the person honors a state tax levy; and (4) expanding the authority for recovering unpaid withholding taxes.

*EFFECTIVE: June 07, 2002; and applies to a levy made on or after July 01, 2002 and withholding requirements for payroll periods beginning on or after July 01, 2002.*

**GENERAL EXCISE / USE / PSC TAX MEASURES**

**ACT 098**

**HB 2569, HD1, SD1 <TAX-04>**

**RELATING TO THE CONFORMITY OF THE STATE TAX LAWS TO THE UNITED STATES CONSTITUTION**

HSCR 0450-02; SSCR 3294

SECT AFF: 237-22

Provides an offset for taxes paid to another state where the GET is imposed upon a transaction that has been subject to a sales or use tax in another state or taxing jurisdiction to avoid constitutionally prohibited multiple taxation.

*EFFECTIVE: May 31, 2002 and applies to all open tax years and for tax years for which an appeal is pending at the time of approval.*

**ACT 110**

**HB 2571, SD1 <TAX-06>**

**RELATING TO TAXATION OF PERSONS WITH IMPAIRED SIGHT OR HEARING OR WHO ARE TOTALLY DISABLED THAT ARE ENGAGED IN BUSINESS**

HSCR 0127-02; HSCR 0584-02; SSCR 2846; SSCR 3246

SECT AFF: 237-17, 237-24

Extends the \$2,000 GET exemption and the 0.5% GET rate to general, limited, or limited liability partnerships and limited liability companies all of whose partners or members are "blind," "deaf," or "totally disabled" as those terms are defined in §235-1, HRS.

*EFFECTIVE: July 01, 2002 and applies to gross income and gross proceeds received after June 30, 2002.*

**ACT 146**

**HB 2454, SD1, CD1 <BED-14>**

**RELATING TO ENTERPRISE ZONES**

HSCR 0126-02; HSCR 0505-02; SSCR 3004; SSCR 3217; CCR 119

SECT AFF: 209E-9, 209E-11

Changes the method of calculating the number of employees needed to meet the annual hiring requirements of the Hawaii Enterprise Zones ("EZ") program; eliminates the use tax exemption for EZ qualified firms.

*EFFECTIVE: June 07, 2002.*

**GENERAL EXCISE / USE / PSC TAX MEASURES****ACT 176****HB 1256, HD2, SD2, CD1****RELATING TO SOLID WASTE MANAGEMENT**

HSCR 0116 (2001); HSCR 0825 (2001); SSCR 1245 (2001); SSCR 1550 (2001); CCR 124 (2002)

SECT AFF: 36-27, 237-\_\_\_(1 SECTION); 342G-\_\_\_(22 SECTIONS) DEPOSIT BEVERAGE CONTAINER PROGRAM, 342G-1, 342G-71, 342G-72, 342G-81, 342G-82, 342G-83, 342G-84, 342G-85, 342G-86, 342G-88, 342G-89

As it relates to TAX, monies collected as a beverage container deposit shall be exempt from the GET; defines deposit beverage container; imposes deposit beverage container requirements and fees on distributors beginning October 01, 2002; requires beverage distributors to register with the State by September 01, 2002; establishes the deposit beverage container deposit special fund; provides for the redemption of empty beverage containers beginning January 01, 2005; provides requirements for recycling facilities and redemption centers.

*EFFECTIVE: July 01, 2002*

**ACT 209****HB 1684, HD1, SD2 <TAX-02>****RELATING TO STATE AND LOCAL TAXATION OF MOBILE TELECOMMUNICATIONS SERVICES**

HSCR 0314 (2001); HSCR 0634 (2001); SSCR 1282 (2001); SSCR 3290 (2002)

SECT AFF: 237-13, 239-\_\_\_(5 SECTIONS) SOURCING OF MOBILE TELECOMMUNICATIONS SERVICES INCOME, 239-2

Provides regulation and taxing of state and local telecommunications services consistent with the federal Mobile Telecommunications Sourcing Act, Pub. L. No. 106-252, which takes effect on August 02, 2002. Under the new sourcing rules, income received from a customer whose place of primary use is in Hawaii will be subject to Hawaii taxes: either the GET for interstate or foreign mobile phone calls or the PSC tax for intrastate mobile phone calls. Also exempts income from wholesales of mobile telecommunication services (e.g., those sales that occur between two home service providers) from both the GET and PSC tax.

*EFFECTIVE: June 28, 2002 and with respect to tax liabilities applies only to charges on or revenues from customer bills issued after August 01, 2002.*



**GENERAL EXCISE / USE / PSC TAX MEASURES**

**ACT 225**

**HB 2720, HD1, SD1, CD1**

**RELATING TO THE USE TAX**

HSCR 0630-02; SSCR 3259; CCR 046

SECT AFF: 238-9.5, 286-41

Requires owners of motor vehicles of the current, previous, and subsequent year model bought out-of-state, subsequently brought into the State, and subject to the use tax under chapter 238, HRS, to provide with the application for registration proof of payment of the use tax pursuant to requirements established by DOTAX.

*EFFECTIVE: January 01, 2003.*

**ACT 236**

**SB 2885, SD2, HD1**

**RELATING TO TAXATION**

SSCR 2181; SSCR 2790; HSCR 0824-02; HSCR 1233-02

SECT AFF: 237-\_\_\_(1 SECTION), 239-\_\_\_(1 SECTION)

Allows telecommunication service providers to rely on their books and records kept in the normal course of business to segregate income received from different activities for both GET and PSC tax purposes; provides that the segregation is valid so long as the method of segregation does not conflict with rules subsequently adopted by DOTAX.

*EFFECTIVE: Applies to gross income, gross proceeds of sales, and value of products after July 01, 2002.*

## INCOME TAX MEASURES

### **ACT 063**

#### **HB 2365**

#### **RELATING TO TAXATION**

HSCR 0555-02; SSCR 3534

Provides an income tax credit of \$1 multiplied by the number of the taxpayer's qualified exemptions to every resident, individual taxpayer of the State to satisfy constitutionally mandated requirements.

*EFFECTIVE: May 23, 2002.*

### **ACT 174**

#### **SB 2831, SD1, HD1, CD1 <TAX-10>**

#### **RELATING TO AN EXTENSION OF THE RESIDENTIAL CONSTRUCTION AND REMODELING INCOME TAX CREDIT**

SSCR 2749; HSCR 0858-02; HSCR 1257-02; CCR 139

SECT AFF: ACT 10, 2001 3SP

Extends the nonrefundable 4% residential construction and remodeling income tax credit to costs incurred before July 01, 2003; further clarifies the costs for which the credit may be claimed. (Act 10, Third Special Session 2001, applied the credit to costs incurred before July 01, 2002).

*EFFECTIVE: June 21, 2002 and applies to taxable years beginning after December 31, 2001.*

### **ACT 190**

#### **HB 1996, SD1, CD1**

#### **RELATING TO THE ADMINISTRATION OF TAXES**

HSCR 0559-02; SSCR 3258; CCR 019

SECT AFF: 235-97

Lowers the adjusted gross income threshold for individuals required to make annual payments for underpaying their estimated taxes; reduces the percentages used to determine the required annual payment for individuals with adjusted gross incomes of more than \$50,000.

*EFFECTIVE: January 01, 2003.*

**INCOME TAX MEASURES**

**ACT 223**

**SB 2824, SD2, HD1, CD1 <TAX-01>**

**RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE**

SSCR 2450; SSCR 2671; HSCR 1123-02; CCR 070

SECT AFF: 235-2.3, 235-2.4

Amends Hawaii's Income Tax Law to conform with the changes to the Internal Revenue Code with exceptions. (Note: This bill does not conform to the Job Creation and Workers Assistance Act (Pub. L. No. 107-147) which was signed by President Bush on March 09, 2002).

*EFFECTIVE: June 28, 2002 and applies to taxable years beginning after December 31, 2001, except as otherwise provided.*

**ACT 230**

**SB 2036, SD1, HD2, CD1**

**RELATING TO EDUCATION**

SSCR 2751; HSCR 0873-02; HSCR 1252-02; CCR 154-02

SECT AFF: 302A-633.6

Allows Department of Education coaches to waive all or part of their payment stipend; requires the Department of Budget and Finance to dispense funds in the amount of the waiver directly to the school for the benefit of the coach's team; specifies that the amount waived shall not be reported as income of the coach.

*EFFECTIVE: June 28, 2002.*

**MISCELLANEOUS TAX MEASURES**

**ACT 094**

**HB 2429, HD1 <ATG-06>**

**RELATING TO TOBACCO**

HSCR 0403-02; HSCR 0502-02; SSCR 3031; SSCR 3553

SECT AFF: 245-1, 245-3, 245-5, 245-6, 245-7, 245-8, 245-9, 245-15, 245-41, 712A-5, 712A-16, ACT 249 2000

Authorizes DOTAX and AG to inspect any entity or vehicle to enforce the cigarette and tobacco tax law (Chapter 245, HRS).

*EFFECTIVE: May 31, 2002.*

**ACT 206**

**SB 2582**

**RELATING TO CAPTIVE INSURANCE**

SSCR 2090; SSCR 2544; HSCR 0770-02; HSCR 1399-02

SECT AFF: 431:19-101.8, 431:19-116

Increases the minimum allocation to the captive insurance administrative fund. Eliminates the premium tax rate differential between pure captives and other captives. Establishes a declining premium tax rate schedule for all classes of captives.

*EFFECTIVE: January 01, 2003.*

**ACT 246**

**HB 2741, HD2, SD2, CD1**

**RELATING TO THE CIGARETTE AND TOBACCO TAX**

HSCR 0238-02; HSCR 0475-02; SSCR 3065; SSCR 3283; CCR 039

SECT AFF: 245-3, ACT 249 2000

Increases the cigarette excise tax from 5 cents for each cigarette sold to 6 cents after September 30, 2002, 6.5 cents after June 30, 2003, and 7 cents after June 30, 2004.

*EFFECTIVE: July 01, 2002.*

**OTHER RELATED MEASURES**

**ACT 245**

**HB 2638, HD2, SD1, CD1**

**RELATING TO THE HAWAII LONG-TERM CARE FINANCING ACT**

HSCR 0322-02; HSCR 0473-02; SSCR 2995; SSCR 3286; CCR 109

SECT AFF: (8 SECTIONS) HAWAII LONG-TERM CARE FINANCING PROGRAM

Establishes the Hawaii long-term care financing program; creates the Hawaii long-term care benefits fund to hold the premiums and pay benefits; establishes a board of trustees to administer the program.

*EFFECTIVE: July 01, 2003.*

Establishes a temporary board of trustees (from July 01, 2002 to June 30, 2003) to design the program, determine the amount and means of collection of a tax or fee, the nature and amount of benefits, and recommend a third party administrator. Requires the temporary board of trustees to report to the 2003 Legislature.

*EFFECTIVE: July 01, 2002*

**ACT 251**

**SB 2416, SD2, HD2, CD2**

**RELATING TO THE HAWAII LONG-TERM CARE FINANCING ACT**

SSCR 2139; SSCR 2714; HSCR 0928-02; HSCR 1165-12; CCR 097; FLOOR AM 9

Companion measure to the Long-Term Care Financing Act (LTCFA). (see HB 2638, HD2, SD1, CD1). Appropriates \$40,000 to the Executive Office on Aging (EOA) to convene a long-term care summit to identify the types and quality of services, service delivery system, and service delivery policies for the long-term care system established under the LTCFA; requires EOA to report findings and recommendations to the 2003 Legislature.

*EFFECTIVE: July 01, 2002.*

## VETOED MEASURES

### **VETO (June 24, 2002)**

**SB 2383, SD2, HD2, CD1**

#### **RELATING TO TAXATION TO STIMULATE THE ECONOMY**

SSCR 2160; SSCR 2791; HSCR 0878-02; HSCR 1258-02; CCR 155

SECT AFF: 235-\_\_\_\_(1 SECTION), 235-110.4

Establishes a nonrefundable, carryforward net income tax credit equal to 4% of the costs incurred in 4 consecutive years beginning after December 31, 2002, and before January 01, 2007, for plans, design, construction, infrastructure, amenities, equipment, alterations, modifications, telecommunications, and information technology relating to a "qualified project," (i.e., any non-residential development or renovation project). Expands the definition of a "qualified hotel facility" for purposes of the hotel construction and remodeling tax credit under HRS §235-110.4 to include any property that has commercial or recreational use that supports or services a hotel and any offsite improvements that service destination resort areas.

*EFFECTIVE: Upon approval and applies to taxable years beginning after December 31, 2002.*

### **VETO (June 24, 2002)**

**SB 2907, SD2, HD2, CD1**

#### **RELATING TO TAXATION**

SSCR 2268; SSCR 2729; HSCR 0796-02; HSCR 1259-02; CCR 100

SECT AFF: 235-\_\_\_\_(1 SECTION), 235-2.45

Establishes a nonrefundable, carryforward tax credit equal to 100% of the "qualified costs" incurred after December 31, 2002, but before January 01, 2009, for the construction of attractions and educational facilities at Ko Olina Resort and Marina; provides up to a maximum of \$75M of credits to be earned for all six years and a maximum of \$7.5M to be claimed and utilized in any one year, in the aggregate for all qualified taxpayers.

*EFFECTIVE: Upon approval and applies to qualified costs incurred after December 31, 2002.*

**VETOED MEASURES**

**VETO (June 20, 2002)**

**SB 2985, SD2, HD2, CD1**

**RELATING TO QUALIFIED IMPROVEMENT TAX CREDIT**

SSCR 2323; SSCR 2719; HSCR 0893-02; HSCR 1260-02; CCR 156

SECT AFF: 235-\_\_\_(1 SECTION) QUALIFIED IMPROVEMENT TAX CREDIT

Provides a refundable income tax credit for qualified improvement costs incurred by a "federally qualified health center;" provides that the tax credit is 10% of the qualified improvement costs incurred in the taxable year totaling 35% of its total audited expenditures for FY ending 2002 or \$300,000, whichever is greater; provides that the tax credit applies to costs incurred for taxable years beginning after December 31, 2001 and before January 01, 2011; provides that the total tax credits that may be claimed during the nine consecutive taxable years shall not exceed \$9M in the aggregate for each federally qualified health center.

*EFFECTIVE: Upon approval and applies to taxable years beginning after December 31, 2001.*

**TABLE SHOWING EFFECT OF ACTS**  
**Twenty First State Legislature - 2002 Regular Session**

KEY:	Am	=	Amended	R	=	Repealed
	N	=	New	___	=	Chapter or section number to be assigned in HRS Supplement

SECTIONS OF HRS AFFECTED			
SECTION NO.	EFFECT	ACT NO.	BILL NO.
36-27	Am	ACT 176	HB 1256, HD2, SD2, CD1
209E-9, 11	Am	ACT 146	HB 2454, SD1, CD1
231-___ (1 section)	N	ACT 153	HB 2568, HD1, SD1, CD1
231-25	Am	ACT 153	HB 2568, HD1, SD1, CD1
235-2.3, 2.4	Am	ACT 223	SB 2824, SD2, HD1, CD1
235-64	Am	ACT 153	HB 2568, HD1, SD1, CD1
235-97	Am	ACT 190	HB 1996, SD1, CD1
235-110.45	Am	ACT 174	SB 2831, SD1, HD1, CD1
237-___ (1 section)	N	ACT 236	SB 2885, SD2, HD1
237-___ (1 section)	N	ACT 176	HB 1256, HD2, SD2, CD1
237-13	Am	ACT 209	HB 1684, HD1, SD2
237-17	Am	ACT 110	HB 2571, SD1
237-19	R	ACT 153	HB 2568, HD1, SD1, CD1
237-22	Am	ACT 098	HB 2569, HD1, SD1
237-24	Am	ACT 110	HB 2571, SD1
238-9.5	Am	ACT 225	HB 2720, HD1, SD1, CD1
C. 239, pt I (heading)	N	ACT 209	HB 1684, HD1, SD2
239-___ (1 section)	N	ACT 236	SB 2885, SD2, HD1
239-___ (5 sections, pt ___)	N	ACT 209	HB 1684, HD1, SD2
239-2	Am	ACT 209	HB 1684, HD1, SD2
C. 245, pt I (heading)	Am	ACT 094	HB 2429, HD1
245-1	Am	ACT 094	HB 2429, HD1
245-3	Am	ACT 246	HB 2741, HD2, SD2, CD1
245-3	Am	ACT 094	HB 2429, HD1
245-5	Am	ACT 094	HB 2429, HD1
245-6	Am	ACT 094	HB 2429, HD1



TABLE SHOWING EFFECT OF ACTS

<b>SECTIONS OF HRS AFFECTED</b>			
<b>SECTION NO.</b>	<b>EFFECT</b>	<b>ACT NO.</b>	<b>BILL NO.</b>
245-7	Am	ACT 094	HB 2429, HD1
245-8	Am	ACT 094	HB 2429, HD1
245-9	Am	ACT 094	HB 2429, HD1
245-15	Am	ACT 094	HB 2429, HD1
245-21 to 42, pt II	Am	ACT 094	HB 2429, HD1
245-41	Am	ACT 094	HB 2429, HD1
286-41	Am	ACT 225	HB 2720, HD1, SD1, CD1
302A-633.6	Am	ACT 230	SB 2036, SD1, HD2, CD1
342G-____ (22 sections) DEPOSIT BEVERAGE CONTAINER PROGRAM	N	ACT 176	HB 1256, HD2, SD2, CD1
342G-1, 71, 72 , 81 to 86	Am	ACT 176	HB 1256, HD2, SD2, CD1
342G-88, 89	R	ACT 176	HB 1256, HD2, SD2, CD1
431:19-101.8	Am	ACT 206	SB 2582
431:19-116	Am	ACT 206	SB 2582
712A-5	Am	ACT 094	HB 2429, HD1
712A-16	Am	ACT 094	HB 2429, HD1
<b>SESSION LAWS OF HAWAII AFFECTED</b>			
<b>SLH NO.</b>	<b>EFFECT</b>	<b>ACT NO.</b>	<b>BILL NO.</b>
ACT 249, SLH 2000	Am	ACT 094	HB 2429, HD1
ACT 249, SLH 2000	Am	ACT 246	HB 2741, HD2, SD2, CD1
ACT 10, SLH 2001 3SP	Am	ACT 174	SB 2831, SD1, HD1, CD1
<b>NEW SECTIONS OR CHAPTERS</b>			
<b>CHAPTER SUBJECT</b>	<b>EFFECT</b>	<b>ACT NO.</b>	<b>BILL NO.</b>
(8 sections) HAWAII LONG-TERM CARE FINANCING PROGRAM	N	ACT 245	HB 2638, HD2, SD1, CD1

**ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001 (EGTRRA)**  
**Pub. L. 107-16.**

(NOTE: Only amendments or additions to Internal Revenue Code Sections contained in subtitle A, chapter 1, and certain 6000 series sections of the Internal Revenue Code of 1986, as amended, are applicable for this Digest.)

**CODE SECTION**                      **DESCRIPTION OF PROVISION**

<b><i>The following provisions are not operative for Hawaii income tax purposes.</i></b>	
Non Code Provision	Rates for kiddie tax, accumulated earnings tax, personal holding company tax and miscellaneous withholding requirements reduced to match reductions in individual income tax rates starting in 2001. Tax years beginning after December 31, 2000; amounts paid more than 60 days after date of enactment for withholding changes. Act Section 101(c)(11).
Non Code Provision	If recapture tax was paid as a result of lineal decedent's lease of special use valuation property on a net cash basis, an otherwise time barred refund claim may be filed within one year of date of enactment of EGTRRA. Act Section 581.

<b><i>The following provision is operative for Hawaii income tax purposes.</i></b>	
Non Code Provision	"Deemed IRAs" -- separate accounts or annuities in qualified employer plans that receive certain voluntary employee contributions, won't be subject to Title I of ERISA except for the exclusive benefit and fiduciary rules after 2002. Effective for plan years beginning after December 31, 2002. Act Section 602(b).

<b><i>The following provisions are not operative for Hawaii income tax purposes.</i></b>	
Non Code Provision	Five-year waiver of user fees provided for determination letter requests made by small employers after 2001. For requests made after December 31, 2001. Act Section 620.
Non Code Provision	IRS must revise life expectancy tables used for calculating distribution under required minimum distribution rules in order to reflect current life expectancies. Effective as of the date of enactment of EGTRRA. Act Section 634.
Non Code Provision	Regulation must be modified to permit 401(k) plan elective contributions 6 months after receipt of hardship distribution after 2001. Effective for years beginning after 2001. Act Section 636(a).
Non Code Provision	Recipients of eligible rollover distributions must be given explanation of different tax consequences of distribution from plans that received rollovers from other plans after 2001. For distributions made after December 31, 2001. Act Section 641(f)(2).

<b><i>The following provisions are operative for Hawaii income tax purposes.</i></b>	
Non Code Provision	Capital gains and averaging treatment unavailable for rollovers to qualified plans from a 403(b) annuity or governmental section 457 plan, and rollovers by a surviving spouse for distributions made after December 31, 2001. Act Section 641(f)(3).
Non Code Provision	Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. For years beginning after December 31, 2001. Act Section 645(a)(2).

<b><i>The following provisions are operative for Hawaii income tax purposes.</i></b>	
Non Code Provision	Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. For years beginning after December 31, 2001. Act Section 645(b)(2).
Non Code Provision	Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. For years beginning after December 31, 2001. Act Section 645(b)(3).
Non Code Provision	Employers may disregard rollovers from other plans when applying the cash-out rules after 2001. For distributions after December 31, 2001. Act Section 648(a)(2).
Non Code Provision	401(k) plan elective deferrals invested in employer securities and employer real property before 1999 not subject to ERISA's 10% investment limit. For elective deferrals invested in qualifying employer securities, qualifying employer real property, or both, acquired before January 1, 1999. Act Section 655.
Non Code Provision	Qualified plans must provide that involuntary cash-outs of more than \$1,000 (but less than \$5,000) will be automatically rolled over to IRA unless the distributee elects otherwise. Effective after final regulations implementing fiduciary rules are prescribed. Act Section 657(c).
Non Code Provision	Determination of whether post year-end contributions to multiemployer pension plans are on account of the previous year, is not a method of accounting; no deduction is allowed for contributions for which a deduction was allowed for an earlier year. Years ending after date of enactment of EGTRRA. Act Section 658.
Non Code Provision	Special interest definition of highly compensated employee in TRA '86 repealed after 2001. Plan years beginning after December 31, 2001. Act Section 663.
Non Code Provision	Employees of tax-exempt charities participating in 403(b) plans may be excluded from nondiscrimination testing of 401(k) and 401(m) plans. Plan years beginning after December 31, 1996. Act Section 664.

<b><i>The following provision is not operative for Hawaii income tax purposes.</i></b>	
Non Code Provision	100% of third installment of 2001 estimated tax of calendar year corporations is not due until October 1, 2001; 20% of amount of third installment of 2004 estimated tax of calendar year corporations will not be due until October 1, 2004. Effective as of the date of enactment of EGTRRA. Act Section 801.

<b><i>The following provisions are operative for Hawaii income tax purposes.</i></b>	
Non Code Provision	Money or property received by Holocaust victims or their heirs is excluded from gross income. Any amount received after December 31, 1999. Act Section 803.
Non Code Provision	2001 Act provisions sunset and won't apply to tax, plan, or limitation years beginning after December 31, 2010; Estate, gift and transfer tax provisions sunset and won't apply to estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2010. Effective for tax, plan, or limitation years beginning after December 31, 2010, or, in the case of Title V of the 2001 Act relating to estate, gift, and generation-skipping transfer taxes, estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2010. Act Section 901.

<b><i>The following sections are not operative for Hawaii income tax purposes.</i></b>	
IRC §1(f)(6)(B)	Basic standard deduction for married taxpayers filing jointly will be increased to twice the amount for single taxpayers over a five year period beginning in 2005. Effective for tax years beginning after December 31, 2004.
IRC §1(f)(8)	15% rate bracket for marrieds filing jointly will increase (phase in) to twice the singles bracket from 2005 to 2008 to eliminate the "marriage penalty" in that bracket. Tax years beginning after December 31, 2004.
IRC §1(g)(7)(b)(ii)(II)	Rates for kiddie tax, accumulated earnings tax, personal holding company tax and miscellaneous withholding requirements reduced to match reductions in individual income tax rates starting in 2001. Effective for tax years beginning after December 31, 2000; amounts paid more than 60 days after date of enactment for withholding changes.
IRC §1(h)(1)	28%, 31%, 36% and 39.6% rate brackets reduced to 25%, 28%, 33%, and 35% over the period 2001-2006. Effective for tax years beginning after December 31, 2000.
IRC §1(i)(1)	10% individual rate bracket added retroactive to January 1, 2001. Effective for tax years beginning after December 31, 2000.
IRC §1(i)(2)	28%, 31%, 36% and 39.6% rate brackets reduced to 25%, 28%, 33%, and 35% over the period 2001-2006. Effective for tax years beginning after December 31, 2000.
IRC §15(f)	28%, 31%, 36% and 39.6% rate brackets reduced to 25%, 28%, 33%, and 35% over the period 2001-2006. Effective for tax years beginning after December 31, 2000.
IRC §21(a)(2)	Maximum child and dependent care credit will be increased to 35% (from 30%) of up to \$3,000/\$6,000 (from \$2,400/\$4,800) of expenses after 2002; phase-out will start at AGI of \$15,000 (up from \$10,000). Effective for tax years beginning after December 31, 2002.
IRC §21(c)(1)	Maximum child and dependent care credit will be increased to 35% (from 30%) of up to \$3,000/\$6,000 (from \$2,400/\$4,800) of expenses after 2002; phase-out will start at AGI of \$15,000 (up from \$10,000). Effective for tax years beginning after December 31, 2002.
IRC §21(c)(2)	Maximum child and dependent care credit will be increased to 35% (from 30%) of up to \$3,000/\$6,000 (from \$2,400/\$4,800) of expenses after 2002; phase-out will start at AGI of \$15,000 (up from \$10,000). Effective for tax years beginning after December 31, 2002.
IRC §23(a)(1)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2002.
IRC §23(a)(2)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.
IRC §23(b)(1)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.
IRC §23(b)(2)(A)(i)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.
IRC §23(b)(4)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.
IRC §23(c)	No reduction in child tax credit after 2001 because of Alternative Minimum Tax (AMT). Effective for tax years beginning after December 31, 2001. Act Section 201(b)(2)(E).
IRC §23(c)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001. Act Section 202(f)(2)(A).
IRC §23(d)(2)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.

<b><i>The following sections are not operative for Hawaii income tax purposes.</i></b>	
IRC §23(h)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Tax years beginning after December 31, 2001.
IRC §24(a)	Child tax credit increased to \$1,000 per child (from \$500) over 10-year period. Effective for tax years beginning after December 31, 2000.
IRC §24(b)(3)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 201(b)(1).
IRC §24(b)(3)(B)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 202(f)(2)(B).
IRC §24(b)(3)(B)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 618(b)(2)(A).
IRC §24(d)	Child tax credit made refundable for all taxpayers with qualifying children to the extent of 10% of the taxpayer's earned income in excess of \$10,000 (15% for tax years after 2004). Effective for tax years beginning after December 31, 2000.
IRC §24(d)(1)	Child tax credit made refundable for all taxpayers with qualifying children to the extent of 10% of the taxpayer's earned income in excess of \$10,000 (15% for tax years after 2004). Effective for tax years beginning after December 31, 2000.
IRC §24(d)(2)	No reduction in child tax credit after 2001 because of AMT. Tax years beginning after December 31, 2001.
IRC §24(d)(4)	Child tax credit made refundable for all taxpayers with qualifying children to the extent of 10% of the taxpayer's earned income in excess of \$10,000 (15% for tax years after 2004). Effective for tax years beginning after December 31, 2000.
IRC §25(e)(1)(C)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 201(b)(2)(F).
IRC §25(e)(1)(C)	Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Effective for tax years beginning after December 31, 2001. Act Section 618(b)(2)(B).
IRC §25A(e)	After 2001, taxpayers may claim exclusions for education IRAs and qualified state tuition program distributions and claim the Hope and Lifetime learning credits all in the same year, but may not use the same expenses for more than one provision. Effective for tax years beginning after December 31, 2001.
IRC §25B	Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Effective for tax years beginning after December 31, 2001.
IRC §25B(g)	Credit for up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Effective for tax years beginning after December 31, 2001.
IRC §26(a)(1)	Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Effective for tax years beginning after December 31, 2001. Act Section 201(b)(2)(D).
IRC §26(a)(1)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 202(f)(2)(C).
IRC §26(a)(1)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001. Act Section 618(b)(2)(C).
IRC §32(a)(2)(B)	Phase-out of the earned income credit will apply where a taxpayer's adjusted gross income (rather than modified adjusted gross income) exceeds the phase-out amount after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(b)(2)(B)	"Marriage penalty" relief for earned income credit will be provided by increasing the credit phase-out amounts for joint return filers by \$1,000 in 2002, \$2,000 in 2005 and \$3,000 in 2008. Effective for tax years beginning after December 31, 2001.

<b><i>The following sections are not operative for Hawaii income tax purposes.</i></b>	
IRC §32(c)(1)(C)	Tie-breaker rule will give earned income credit to parent (instead of person with highest modified AGI), in some cases, after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(2)(A)(i)	Earned income for purposes of the earned income credit will include only taxable amounts after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(3)(A)(ii)	The general, more-than-6-month residency requirement to be a qualifying child under the earned income credit rules will also apply to an eligible foster child after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(3)(B)(i)	The general, more-than-6-month residency requirement to be a qualifying child under the earned income credit rules will also apply to an eligible foster child after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(3)(B)(iii)	The general, more-than-6-month residency requirement to be a qualifying child under the earned income credit rules will also apply to an eligible foster child after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(5)	Phase-out of the earned income credit will apply where a taxpayer's adjusted gross income (rather than modified adjusted gross income) exceeds the phase-out amount after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(h)	The reduction of the earned income credit for taxpayers subject to AMT will be eliminated after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(j)(1)(B)(ii)	"Marriage penalty" relief for earned income credit will be provided by increasing the credit phase-out amounts for joint return filers by \$1,000 in 2002, \$2,000 in 2005 and \$3,000 in 2008. Effective for tax years beginning after December 31, 2001.
IRC §32(j)(2)(A)	"Marriage penalty" relief for earned income credit will be provided by increasing the credit phase-out amounts for joint return filers by \$1,000 in 2002, \$2,000 in 2005 and \$3,000 in 2008. Effective for tax years beginning after December 31, 2001.
IRC §32(n)	Child tax credit increased to \$1,000 per child (from \$500) over 10 year period. Effective for tax years beginning after December 31, 2000.
IRC §38(b)(14)	\$500 maximum credit for pension plan start up costs of small employers during each of the first three years of the plan -- costs paid or incurred in tax years beginning after December 31, 2001. For costs paid or incurred in tax years beginning after December 31, 2001.
IRC §38(b)(15)	Up to \$150,000 of credit per year will be allowable to employers for providing childcare assistance to employees for tax years beginning after December 31, 2001. Effective for tax years beginning after December 31, 2001.
IRC §39(d)(10)	\$500 maximum credit for pension plan start up costs of small employers during each of the first three years of the plan. For costs paid or incurred in tax years beginning after December 31, 2001.
IRC §45E	\$500 maximum credit for pension plan start up costs of small employers during each of the first three years of the plan -- costs paid or incurred in tax years beginning after December 31, 2001. Costs paid or incurred in tax years beginning after December 31, 2001.
IRC §45F	Up to \$150,000 of credit per year will be allowable to employers for providing childcare assistance to employees for tax years beginning after December 31, 2001. Effective for tax years beginning after December 31, 2001.
IRC §55(d)(1)(A)	The AMT exemption amount is increased for individuals for 2001 through 2004. Effective for tax years beginning after December 31, 2000.
IRC §55(d)(1)(B)	The AMT exemption amount is increased for individuals for 2001 through 2004. Effective for tax years beginning after December 31, 2000.
IRC §55(d)(1)(C)	The AMT exemption amount is increased for individuals for 2001 through 2004. Effective for tax years beginning after December 31, 2000.

<b><i>The following sections are not operative for Hawaii income tax purposes.</i></b>	
IRC §55(d)(3)	The AMT exemption amount is increased for individuals for 2001 through 2004. Effective for tax years beginning after December 31, 2000.
IRC §62(a)(18)	With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. For payments made in tax years beginning after December 31, 2001.
IRC §63(c)(2)	Basic standard deduction for married taxpayers filing jointly will be increased to twice the amount for single taxpayers over a five-year period beginning in 2005. Effective for tax years beginning after December 31, 2004.
IRC §63(c)(4)	Basic standard deduction for married taxpayers filing jointly will be increased to twice the amount for single taxpayers over a five year period beginning in 2005. Effective for tax years beginning after December 31, 2004.
IRC §63(c)(7)	Basic standard deduction for married taxpayers filing jointly will be increased to twice the amount for single taxpayers over a five-year period beginning in 2005. Effective for tax years beginning after December 31, 2004.
IRC §72(t)(9)	Rollovers may be made to governmental section 457 plans after 2001. Distributions after December 31, 2001.
IRC §86(b)(2)	With respect to the above-the-line-deduction allowed for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. For payments made in tax years beginning after December 31, 2001.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §117(c)(2)	Scholarships under the National Health Service Corps and Armed Forces Health Professional Scholarship programs are tax-free after 2001. Effective for amounts received in tax years beginning after December 31, 2001.
IRC §121(d)(9)	Extension of the \$250,000 exclusion of gain from the sale of a decedent's principal residence to sales by estates, heirs of decedents, and qualified revocable trusts. Effective for estates of decedents dying after December 31, 2009.
IRC §127	Exclusion for employer-provided educational assistance made permanent and exclusion restored for graduate level courses for expenses relating to courses beginning after 2001. Effective for expenses incurred for courses beginning after 2001.
IRC §132(a)(7)	Employer-provided retirement advice is excludable fringe benefit after 2001. Effective for years beginning after 2001.
IRC §132(m)	Employer-provided retirement advice is excludable fringe benefit after 2001. Effective for years beginning after 2001.

<b><i>The following sections are not operative for Hawaii income tax purposes.</i></b>	
IRC §135(c)(4)	With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. Payments made in tax years beginning after December 31, 2001.
IRC §135(d)(2)(B)	Distributions from qualified tuition programs after 2001 will be tax-free to the extent used to pay qualified higher education expenses. Effective for tax years beginning after December 31, 2001.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §137(a)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2002. Act Sections 202(a)(2) and 202(g).
IRC §137(b)(1)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2001. Act Sections 202(b)(1)(a).
IRC §137(b)(2)(A)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2001. Act Sections 202(b)(1)(a).
IRC §137(b)(3)	With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. For payments made in tax years beginning after December 31, 2001.
IRC §137(f)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2001. Act Section 202(d)(2).
IRC §137(f)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2001. Act Section 202(e)(2).

<b><i>The following sections are not operative for Hawaii income tax purposes.</i></b>	
IRC §142(a)(13)	Tax-exempt bond financing for qualified public-private schools after 2001; qualified public educational facility bonds. Effective for bonds issued after December 31, 2001.
IRC §142(k)	Tax-exempt bond financing for qualified public-private schools after 2001; qualified public educational facility bonds. Effective for bonds issued after December 31, 2001.
IRC §146(g)(3)	Tax-exempt bond financing for qualified public-private schools after 2001; qualified public educational facility bonds. Effective for bonds issued after December 31, 2001.
IRC §147(h)(3)	Tax exempt bond financing for qualified public-private schools after 2001; qualified public educational facility bonds. Effective for bonds issued after December 31, 2001.
IRC §148(f)(4)(D)(vii)	Up to \$10 million (instead of \$5 million) in bonds used to finance public school capital expenditures exempted from arbitrage rebate requirements after 2001.
IRC §151(d)(3)(E)	Full personal exemption will be restored -- phase-out will be gradually reduced after 2005 and completely eliminated after 2009. Effective for tax years beginning after December 31, 2005.
IRC §151(d)(3)(F)	Full personal exemption will be restored -- phase-out will be gradually reduced after 2005 and completely eliminated after 2009. Effective for tax years beginning after December 31, 2005.

<b><i>The following section is operative for Hawaii income tax purposes.</i></b>	
IRC §170(e)(1)	Capital asset treatment for charitable contributions of creative property is determined after 2009 without regard to the modified-carryover basis at death rules. Effective for estates of decedents dying after December 31, 2009.

<b><i>The following section is not operative for Hawaii income tax purposes.</i></b>	
IRC §196(c)(10)	\$500 maximum credit for pension plan start up costs of small employers during each of the first three years of the plan. For costs paid or incurred in tax years beginning after December 31, 2001.



<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §219(b)	IRA contribution limit will be increased to \$3,000 for 2002 through 2004, \$4,000 for 2005 through 2007, and \$5,000 for 2008; additional catch-up contributions allowed for certain older individuals; COLA adjustments for later years. Effective for tax years beginning after December 31, 2001. Act Section 601(a).
IRC §219(b)	Roth IRA contribution limit increased to \$3,000 for 2002 through 2004, \$4,000 for 2005 through 2007, and \$5,000 for 2008; additional catch-up contributions allowed for certain older individuals; COLA adjustments for later years. Effective for tax years beginning after December 31, 2001. Act Section 601(a).
IRC §219(g)(3)	With respect to computing the limitation on the deduction for active participants in certain pension plans. For payments made in tax years beginning after December 31, 2001.
IRC §221(b)(2)(B)	Student loan interest deduction income phase-out starting point raised from \$40,000 to \$50,000 for singles and from \$60,000 to \$100,000 for joint filers after 2001. Effective for tax years ending after December 31, 2001.

<b><i>The following section is not operative for Hawaii income tax purposes.</i></b>	
IRC §221(b)(2)(C)	With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. For payments made in tax years beginning after December 31, 2001.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §221(d)	60-month limit on student loan interest deduction repealed for interest paid after 2001. Effective for Loan interest paid after December 31, 2001.
IRC §221(e)(2)(A)	Distributions from qualified tuition programs after 2001 will be tax-free to the extent used to pay qualified higher education expenses. Effective for tax years beginning after December 31, 2001.
IRC §221(g)(1)	Student loan interest deduction income phase-out starting point raised from \$40,000 to \$50,000 for singles and from \$60,000 to \$100,000 for joint filers after 2001. Effective for tax years ending after December 31, 2001.

<b><i>The following section is not operative for Hawaii income tax purposes.</i></b>	
IRC §222	Above-the-line-deduction allowed for qualified higher education expenses paid from 2002 through 2005. Effective for payments made in tax years beginning after December 31, 2001.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §401(a)(17)	Plan benefits and contribution limits increased after 2001. Effective for years beginning after 2001.
IRC §401(a)(31)(B)	After-tax contributions to a qualified plan may be rolled over to a defined contribution plan or an IRA after 2001. Effective for distributions made after December 31, 2001. Act Section 643(b).

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §401(a)(31)(B)	Qualified plans must provide that involuntary cash-outs of more than \$1,000 (but less than \$5,000) will be automatically rolled over to IRA unless the distributee elects otherwise. Effective after final regulations implementing fiduciary rules are prescribed. Act Section 657(a)(1).
IRC §401(c)(2)(A)	Self employment income for which religious exemption is elected will be taken into account for Keogh and SIMPLE plans after 2001. Effective for plan years beginning after 2001.
IRC §401(k)(2)(B)	Distributions of elective deferrals allowed after 2001 following severance from employment – “same desk rule” eliminated. Effective for distributions made after December 31, 2001.
IRC §404(k)(5)(A)	Employer will be allowed a deduction for dividends on employer ESOP stock where participants and beneficiaries can elect to have dividends reinvested in employer stock after 2001. Effective for tax years beginning after December 31, 2001.
IRC §401(k)(10)	Distributions of elective deferrals allowed after 2001 following severance from employment – “same desk rule” eliminated.
IRC §401(m)(9)	Multiple use test for highly compensated employees eliminated after 2001. Years beginning after 2001.
IRC §402(c)(2)	After-tax contributions to a qualified plan may be rolled over to a defined contribution plan or an IRA after 2001. Effective for distributions made after December 31, 2001.
IRC §402(c)(3)	Hardship exception to 60-day rollover requirement -- after 2001. Effective for distributions made after December 31, 2001.
IRC §402(c)(4)	No hardship distributions will be eligible rollover distributions after 2001. Effective for distributions made after 2001.
IRC §402(c)(8)(B)(v)	Rollovers may be made to governmental section 457 plans after 2001. Effective for distributions made after December 31, 2001.
IRC §402(c)(8)(B)(vi)	403(b) tax-sheltered annuity plans can receive eligible rollover distributions after 2001. Effective for distributions made after December 31, 2001.
IRC §402(c)(9)	Employee’s surviving spouse may rollover distribution to a qualified plan, 403(a) qualified annuity, section 457 plan or 403(b) tax-sheltered annuity after 2001. Effective for distributions made after December 31, 2001.
IRC §402(c)(11)	Rollovers may be made to governmental section 457 plans after 2001. Distributions after December 31, 2001.

<b><i>The following section is not operative for Hawaii income tax purposes.</i></b>	
IRC §402(f)(1)(E)	Recipients of eligible rollover distributions must be given explanation of different tax consequences of distributions from plans that received rollovers from other plans after 2001. Effective for distributions made after December 31, 2001.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §402(f)(1)(A)	Qualified plans must provide that involuntary cash-outs of more than \$1,000 (but less than \$5,000) will be automatically rolled over to IRA unless the distributee elects otherwise. Effective after final regulations implementing fiduciary rules are prescribed.
IRC §402(f)(2)(A)	403(b) tax-sheltered annuities distribution can be rolled over to any eligible retirement plan after 2001. Effective for distributions made after December 31, 2001.
IRC §402(g)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §402A	401(k) and 403(b) plans may treat post-2005 elective deferrals as after-tax Roth IRA-type contributions. Effective for tax years beginning after December 31, 2005.
IRC §403(b)	Percentage of salary limitations on contributions to plans, including 403(b) and government plans, increased to 100% after 2001. Effective for years beginning after December 31, 2001. Act Section 632(a)(2).
IRC §403(b)	Distributions of elective deferrals allowed after 2001 following severance from employment – “same desk rule” eliminated. Effective for distributions made after December 31, 2001. Act Section 646(a)(2).
IRC §403(b)(8)(A)(ii)	403(b) tax-sheltered annuity distributions can be rolled over to any eligible retirement plan after 2001. Effective for distributions made after December 31, 2001.
IRC §403(b)(13)	Trustee-to-trustee transfers from code section 403(b) annuities and code section 457 plans to defined benefit governmental plans to buy service credit or repay cash outs will be tax-free after 2001. Effective for trustee-to-trustee transfers made after December 31, 2001.
IRC §404(a)(1)(D)	Qualified plan contribution deduction maximum will be no less than the unfunded current liability and will be extended to all defined benefit plans, regardless of size, after 2001. Effective for plan years beginning after December 31, 2001.
IRC §404(a)(3)(A)(i)(I)	Limitation on deductible contributions to profit sharing or stock bonus plans increased from 15% to 25% of compensation after 2001; money purchase plans subject to same limits on deductible contributions as profit sharing and stock bonus plans after 2001. Effective for years beginning after December 31, 2001.
IRC §404(a)(3)(A)(v)	Limitation on deductible contributions to profit sharing or stock bonus plans increased from 15% to 25% of compensation after 2001; money purchase plans subject to same limits on deductible contributions as profit sharing and stock bonus plans after 2001. Effective for years beginning after December 31, 2001.
IRC §404(a)(12)	“Compensation” for determining deductions limits for contributions to a qualified plan will include salary reduction amounts and certain pre-disability compensation. Effective for years after 2001.
IRC §404(k)(2)(A)(iii)	Employer will be allowed a deduction for dividends on employer ESOP stock where participants and beneficiaries can elect to have dividends reinvested in employer stock after 2001. Effective for tax years beginning after December 31, 2001.
IRC §404(l)	Plan benefits and contribution limits increased after 2001. Years beginning after 2001.
IRC §404(n)	Elective deferrals will no longer be taken into account in applying employer plan contribution deduction limits after 2001. For years beginning after December 31, 2001.
IRC §408(d)(3)	Hardship exception to 60-day rollover requirement -- after 2001. Distributions after December 31, 2001.
IRC §408(d)(3)(A)	Expanded rollover option allows IRA’s to be rolled over tax-free into eligible retirement plans other than IRAs after 2001. For distributions made after December 31, 2001.
IRC §408(d)(3)(H)	Taxation of IRA distributions all or part of which are rolled over to a non IRA plan after 2001. Distributions made after December 31, 2001.
IRC §408(k)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.
IRC §408(p)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.
IRC §408(p)(6)(A)(ii)	Self employment income for which religious exemption is elected will be taken into account for Keogh and SIMPLE plans after 2001. Effective for years beginning after 2001.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §408(q)	Qualified employer plan's separate account or annuity that meets IRA requirements and accepts voluntary employee contributions may be a "deemed IRA" after 2002. Plan years beginning after December 31, 2002.
IRC §409(p)	Allocations of employer stock held in Sub S ESOP to "disqualified persons" who together own 50% of S corporation shares treated as distributions and subjected to 50% excise tax in 2004.
IRC §411(a)(2)	Faster vesting schedule applies for certain employer matching contributions for plan years beginning after 2001. Contributions for plan years beginning after December 31, 2001.
IRC §411(a)(11)(D)	Employers may disregard rollovers from other plans when applying the cash-out rules after 2001. Effective for distributions after December 31, 2001.
IRC §411(a)(12)	Faster vesting schedule applies for certain employer matching contributions for plan years beginning after 2001. Effective for contributions for plan years beginning after December 31, 2001.
IRC §411(d)(6)(B)	Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. Years beginning after December 31, 2001.
IRC §411(d)(6)(D)	Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. Years beginning after December 31, 2001.
IRC §412(c)(9)	Defined benefit and money purchase plans annual actuarial valuation requirement can be satisfied using prior year's valuation after 2001. Effective for plan years beginning after December 31, 2001.
IRC §414(p)(10)	Spouse (or former spouse) subject to tax on benefits received from a code section 457 plan distributed under a QDRO after 2001. For transfers, distribution, and payments made after December 31, 2001.
IRC §414(p)(11)	Spouse (or former spouse) subject to tax on benefits received from a code section 457 plan distributed under a QDRO after 2001. Effective for transfers, distributions, and payments made after December 31, 2001.
IRC §414(p)(12)	Spouse (or former spouse) subject to tax on benefits received from a code section 457 plan distributed under a QDRO after 2001. Effective for transfers, distributions, and payments made after December 31, 2001.
IRC §414(v)	Individuals over age 50 can make additional elective deferrals in excess of otherwise applicable limits after 2001. For contributions made in tax years beginning after December 31, 2001.
IRC §415(b)	Plan benefit and contribution limits increased after 2001. Years ending after December 31, 2001.
IRC §415(b)(11)	Defined benefit plan 100%-of-compensation benefit limit eliminated for multi employer plans after 2001.
IRC §415(c)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001. Act Section 611(b).
IRC §415(c)	Percentage of salary limits on contributions to plans, including 403(b) plans and government plans, increased to 100% after 2001. Years beginning after December 31, 2001. Act Section 632(a).
IRC §415(d)(4)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.
IRC §415(f)(3)	Defined benefit plan 100%-of-compensation benefit limit eliminated for multi employer plans after 2001. Years beginning after 2001.
IRC §415(k)(4)	Percentage of salary limits on contributions to plans, including 403(b) and government plans, increased to 100% after 2001. Limitation years beginning after December 31, 1999.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §416	Rules for Top heavy plans are modified and definition of “key employee” are simplified after 2001. For years beginning after December 31, 2001.
IRC §457	Plan benefit and contribution limits are increased after 2001. Years beginning after 2001.
IRC §457(a)	Amounts deferred under governmental section 457 plans after 2001 will be includible in income only when paid, and not when merely “made available”. Distributions after December 31, 2001.
IRC §457(b)(2)	Distributions from governmental section 457 plans may be “eligible rollover distributions” after 2001. Distributions made after December 31, 2001. Act Section 632(c).
IRC §457(b)(2)	Rollovers may be made to governmental section 457 plans after 2001. Act Section 641(a)(1)(B).
IRC §457(b)(2)(B)	Percentage of salary limits on contributions to plans, including 403(b), and government plans, increased to 100% after 2001. Years beginning after December 31, 2001.
IRC §457(c)	Repeal of coordination requirements for calculating deferral limit for deferred compensation plans of tax-exempt organizations, and state or local governments after 2001. For years beginning after December 31, 2001.
IRC §457(d)(1)	Distributions of elective deferrals allowed after 2001 following severance from employment “same desk rule” eliminated. Distributions made after December 31, 2001.
IRC §457(d)(1)(c)	Distributions from governmental section 457 plans may be “eligible rollover distributions” after 2001. Distributions made after December 31, 2001.
IRC §457(d)(2)	Special 457 plan minimum distribution requirement eliminated after 2001. Distributions after December 31, 2001.
IRC §457(e)(9)(A)	Employers may disregard rollovers from other plans when applying the cash-out rules after 2001. Distributions after December 31, 2001.
IRC §457(e)(16)	Distributions from governmental section 457 plans may be “eligible rollover distributions” after 2001. Distributions made after December 31, 2001.
IRC §457(e)(17)	Trustee-to-trustee transfers from code section 403(b) annuities and code section 457 plans to defined benefit governmental plans to buy service credit or repay cash outs will be tax-free after 2001. Trustee-to-trustee transfers made after December 31, 2001.
IRC §469(i)(3)(F)	With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. Payments made in tax years beginning after December 31, 2001.
IRC §505(b)(7)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.
IRC §529	Private education institutions may establish qualified tuition programs that offer prepaid educational services accounts after 2001. Tax years beginning after December 31, 2001.
IRC §529(b)(1)	Private education institutions may establish qualified tuition programs that offer prepaid educational services accounts after 2001. Tax years beginning after December 31, 2001.
IRC §529(b)(1)(A)(ii)	Private education institutions may establish qualified tuition programs that offer prepaid educational services accounts after 2001. Tax years beginning after December 31, 2001.
IRC §529(c)(3)(B)	Distributions from qualified tuition programs after 2001 will be tax-free to the extent that they are used to pay qualified higher education expenses. Tax years beginning after December 31, 2001.
IRC §529(c)(3)(C)(i)	Distributions from qualified tuition programs can be rolled over for benefit of same beneficiary after 2001. Tax years beginning after December 31, 2001.
IRC §529(c)(3)(C)(iii)	Distributions from qualified tuition programs can be rolled over for benefit of same beneficiary after 2001. Tax years beginning after December 31, 2001.

***The following section is not operative for Hawaii income tax purposes.***

IRC §529(c)(6)	10% additional tax will be imposed on qualified tuition program distributions that are includable in income after 2001. Tax years beginning after December 31, 2001.
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***The following sections are operative for Hawaii income tax purposes.***

IRC §529(e)(3)(A)	Tax-free distributions from prepaid tuition plans and education IRA's can be used for special needs services after 2001; qualified room and board expenses adjusted to reflect current costs. Tax years beginning after December 31, 2001.
IRC §529(e)(2)(D)	Distributions from qualified tuition programs can be rolled over for benefit of same beneficiary after 2001. Tax years beginning after December 31, 2001.
IRC §529(e)(3)(B)(ii)	Tax-free distributions from prepaid tuition plans and education IRA's can be used for special needs services after 2001; qualified room and board expenses adjusted to reflect current costs. Tax years beginning after December 31, 2001.
IRC §530(b)(1)	Education expenses that may be paid by education IRAs are expanded to include elementary and secondary school expenses after 2001. For tax years beginning after December 31, 2001. Act Section 401(a)(1).
IRC §530(b)(1)	Age limitations for education IRAs won't apply to "special needs beneficiaries" after 2001. For tax years beginning after December 31, 2001. Act Section 401(c)(3).
IRC §530(b)(1)(A)(iii)	After 2001, annual educational IRA contribution limit increased from \$500 to \$2000 per beneficiary, and phase-out range is increased for joint filers. For tax years beginning after December 31, 2001.
IRC §530(b)(2)	Educational expenses that may be paid by education IRAs are expanded to include elementary and secondary school expenses after 2001. For tax years beginning after December 31, 2001.
IRC §530(b)(4)	Education expenses that may be paid by education IRAs are expanded to include elementary and secondary school expenses after 2001. For tax years beginning after December 31, 2001.
IRC §530(b)(5)	Contributions to education IRAs for a tax year after 2001 may be made until April 15 of the following year. Distributions won't be subject to the additional 10% tax if made on or before June 1 of the year following the contribution year. For tax years beginning after December 31, 2001.
IRC §530(c)(1)	Corporations and other entities may make contributions to education IRAs after 2001, regardless of the corporation's or entity's income. For tax years beginning after December 31, 2001. Act Section 401(b).
IRC §530(c)(1)	After 2001, annual educational IRA contribution limit is increased from \$500 to \$2000 per beneficiary, and phase-out range increased for joint filers. For tax years beginning after December 31, 2001. Act Section 401(e).
IRC §530(d)(2)	Education expenses that may be paid by education IRAs are expanded to include elementary and secondary school expenses after 2001. For tax years beginning after December 31, 2001.
IRC §530(d)(2)(C)	After 2001, taxpayers may claim exclusions for education IRAs and qualified state tuition program distributions and claim the Hope and Lifetime learning credits all in the same year, but may not use the same expenses for more than one provision. For tax years beginning after December 31, 2001.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §530(d)(2)(D)	After 2001, taxpayers may claim exclusions for education IRAs and qualified state tuition program distributions and claim the Hope and Lifetime learning credits all in the same year, but may not use the same expenses for more than one provision. For tax years beginning after December 31, 2001.
IRC §530(d)(4)(C)(i)	Contributions to education IRAs for a tax year after 2001 may be made until April 15 of the following year. Distributions won't be subject to the additional 10% tax if made on or before June 1 of the year following the contribution year. For tax years beginning after December 31, 2001.

<b><i>The following sections are not operative for Hawaii income tax purposes.</i></b>	
IRC §531	Rates for kiddie tax, accumulated earnings tax, personal holding company tax and miscellaneous withholding requirements reduced to match reductions in individual income tax rates starting in 2001. Tax years beginning after December 31, 2000; amounts paid more than 60 days after date of enactment for withholding changes.
IRC §541	Rates for kiddie tax, accumulated earnings tax, personal holding company tax and miscellaneous withholding requirements reduced to match reductions in individual income tax rates starting in 2001. Tax years beginning after December 31, 2000; amounts paid more than 60 days after date of enactment for withholding changes.
IRC §646	Alaska Native Settlement trusts may elect to exclude certain contributions from beneficiaries' income. For tax years ending after date of enactment.

<b><i>The following sections are operative for Hawaii income tax purposes.</i></b>	
IRC §664(g)	Plan benefit and contribution limits increased after 2001. Tax years beginning after 2001.
IRC §684(a)	Gain recognition rule for transfers of appreciated property to non-grantor foreign trusts and foreign estates will be extended to transfers at death to non resident aliens after 2009. For transfers after December 31, 2009.
IRC §684(b)	Gain recognition rule for transfers of appreciated property to non-grantor foreign trusts and foreign estates will be extended to transfers at death to non resident aliens after 2009. For transfers after December 31, 2009.

<b><i>The following sections are not operative for Hawaii income tax purposes.</i></b>	
IRC §861(a)(3)	Non resident aliens' compensation for international transportation services no longer taken into account by benefit plans in plan years after 2001. Compensation for services performed in plan years beginning after 2001.
IRC §904(h)	No reduction in child tax credit after 2001 because of AMT. Tax years beginning after December 31, 2001. Act Section 201(b)(2)(G).
IRC §904(h)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non special needs adoptions made permanent. Tax years beginning after December 31, 2001. Act Section 202(f)(2)(C).
IRC §904(h)	Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Tax years beginning after December 31, 2001. Act Section 618(b)(2)(D).

***The following section is operative for Hawaii income tax purposes.***

IRC §1014(f)	Step-up basis and step-down basis will end and modified carry over basis rules will apply for property acquired from a deceased individual after December 31, 2009. Estates of decedents dying after December 31, 2009 for property acquired from a decedent dying after December 31, 2009.
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***The following section is not operative for Hawaii income tax purposes.***

IRC §1016(a)(28)	Up to \$150,000 of credit per year will be allowable to employers for providing child care assistance to employees for tax years beginning after December 31, 2001. Tax years beginning after December 31, 2001.
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***The following sections are operative for Hawaii income tax purposes.***

IRC §1022	Step-up basis and step-down basis will end and modified carry over basis rules will apply for property acquired from a deceased individual after December 31, 2009. Estates of decedents dying after December 31, 2009 for property acquired from a decedent dying after December 31, 2009.
IRC §1022(g)	Liabilities in excess of the basis of property acquired from a decedent or an estate will be excluded from gain and basis after December 31, 2009. Estates of decedents dying after December 31, 2009.
IRC §1040	Beginning in 2010 an estate or trust will recognize gain if it distributes appreciated property to satisfy a pecuniary bequest, but only to the extent the property has appreciated between the dates of death and of distribution. Estates of decedents dying after December 31, 2009.
IRC §1221(a)(3)(C)	Capital gain treatment for inherited artwork or similar property will not be disallowed after 2009 solely because heir to property takes decedent's carry over basis. Estates of decedents dying after December 31, 2009.
IRC §1246(e)	Basis reduction for foreign investment company stock acquired from decedent repealed after 2009. Estates of decedents dying after 2009.

***The following sections are not operative for Hawaii income tax purposes.***

IRC §1400C(d)	No reduction in child tax credit after 2001 because of AMT. Tax years beginning after December 31, 2001. Act Section 201(b)(2)(H).
IRC §1400C(d)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non special needs adoptions made permanent. Tax years beginning after December 31, 2001. Act Section 202(f)(2)(C).
IRC §1400C(d)	Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Tax years beginning after December 31, 2001. Act Section 618(b)(2)(E).





**2001 THIRD SPECIAL SESSION  
TAX MEASURES ENACTED**

**ACT 08**

**SB 05**

**RELATING TO FILING THRESHOLDS FOR CERTAIN TAXES**

SSCR 7; HSCR 18

SECT. AFF: 235-62, 237-30, 237D-6, 251-4

Increases the filing thresholds for taxpayers filing withholding, general excise/use, transient accommodations, and rental motor vehicle and tour vehicle surcharge tax returns.

*EFFECTIVE: November 02, 2001; generally applicable to gross income received and taxes accruing on or after October 01, 2001.*

**ACT 09**

**SB 06**

**RELATING TO THE TAXATION OF TRANSPORTATION SERVICE PROVIDERS**

SSCR 8; HSCR 19

SECT. AFF: 237-7, 237-18, 239-6

Beginning on October 01, 2001, Act 09 converts certain transportation service providers who are subject to the PSC tax system to the GET system. These transportation service providers will be subject to the GET in lieu of the PSC tax for gross income received on October 01, 2001, and thereafter, from transporting property or persons within the State. The affected transportation service providers include airlines, motor carriers, common carriers by water, and contract carriers other than motor carriers who were subject to the PSC tax under HRS §239-6.

*EFFECTIVE: November 02, 2001; provided that the gross income received on or after October 01, 2001, by transportation service providers shall be subject to the tax imposed under chapter 237, HRS.*

**ACT 10**

**SB 08, SD2**

**RELATING TO INCOME TAX CREDITS**

SSCR 2; FLOOR AMENDMENT 1; HSCR 24

SECT. AFF: 235-\_\_\_(1 SECTION), 235-110.4

Provides a new nonrefundable residential construction and remodeling income tax credit for four percent of the construction or renovation costs incurred before July 01, 2002, up to a maximum of \$250,000 in the aggregate for each unit; and amends the existing hotel construction and remodeling income tax credit for qualified hotel facilities.

*EFFECTIVE: November 02, 2001; with provisos.*



**DIGEST OF TAX MEASURES - INDEX BY BILL NUMBERS**

BILL NO.	ACT NO.	BILL TITLE / TAX TYPE	PAGE NO.
HB 1256, HD2, SD2, CD1	ACT 176 (06.25.2002)	Relating to Solid Waste Management . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	3
HB 1684, HD1, SD2	ACT 209 (06.28.2002)	Relating to State and Local Taxation of Mobile Telecommunications Services . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	3
HB 1996, SD1, CD1	ACT 190 (06.25.2002)	Relating to the Administration of Taxes . . . . . INCOME TAX MEASURES	5
HB 2365	ACT 063 (05.23.2002)	Relating to Taxation . . . . . INCOME TAX MEASURES	5
HB 2429, HD1	ACT 094 (05.31.2002)	Relating to Tobacco . . . . . MISCELLANEOUS TAX MEASURES	7
HB 2454, SD1, CD1	ACT 146 (06.07.2002)	Relating to Enterprise Zones . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	2
HB 2568, HD1, SD1, CD1	ACT 153 (06.07.2002)	Relating to the Collection of Taxes . . . . . ADMINISTRATIVE TAX MEASURES	1
HB 2569, HD1, SD1	ACT 098 (05.31.2002)	Relating to the Conformity of the State Tax Laws to the United States Constitution . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	2
HB 2571, SD1	ACT 110 (05.31.2002)	Relating to Taxation of Persons with Impaired Sight or Hearing or Who Are Totally Disabled That Are Engaged in Business . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	2
HB 2638, HD2, SD1, CD1	ACT 245 (07.01.2002)	Relating to the Hawaii Long-term Care Financing Act . . . . . OTHER RELATED MEASURES	8
HB 2720, HD1, SD1, CD1	ACT 225 (06.28.2002)	Relating to the Use Tax . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	4
HB 2741, HD2, SD2, CD1	ACT 246 (07.01.2002)	Relating to the Cigarette and Tobacco Tax . . . . . MISCELLANEOUS TAX MEASURES	7
SB 2036, SD1, HD2, CD1	ACT 230 (06.28.2002)	Relating to Education . . . . . INCOME TAX MEASURES	6
SB 2383, SD2, HD2, CD1	VETO (06.24.2002)	Relating to Taxation to Stimulate the Economy . . . . . VETOED MEASURES	9
SB 2416, SD2, HD2, CD2	ACT 251 (07.01.2002)	Relating to the Hawaii Long-term Care Financing Act . . . . . OTHER RELATED MEASURES	8
SB 2582	ACT 206 (06.25.2002)	Relating to Captive Insurance . . . . . MISCELLANEOUS TAX MEASURES	7
SB 2824, SD2, HD1, CD1	ACT 223 (06.28.2002)	Relating to Conformity of the Hawaii Income Tax Law to the Internal Revenue Code . . . . . INCOME TAX MEASURES	6
SB 2831, SD1, HD1, CD1	ACT 174 (06.21.2002)	Relating to an Extension of the Residential Construction and Remodeling Income Tax Credit . . . . . INCOME TAX MEASURES	5
SB 2885, SD2, HD1	ACT 236 (06.28.2002)	Relating to Taxation . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	4
SB 2907, SD2, HD2, CD1	VETO (06.24.2002)	Relating to Taxation . . . . . VETOED MEASURES	9
SB 2985, SD2, HD2, CD1	VETO (06.20.2002)	Relating to Qualified Improvement Tax Credit . . . . . VETOED MEASURES	10

**DIGEST OF TAX MEASURES - INDEX BY ACT NUMBERS**

ACT NO.	BILL NO.	BILL TITLE / TAX TYPE	PAGE NO.
ACT 063 (05.23.2002)	HB 2365	Relating to Taxation . . . . . INCOME TAX MEASURES	5
ACT 094 (05.31.2002)	HB 2429, HD1	Relating to Tobacco . . . . . MISCELLANEOUS TAX MEASURES	7
ACT 098 (05.31.2002)	HB 2569, HD1, SD1	Relating to the Conformity of the State Tax Laws to the United States Constitution . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	2
ACT 110 (05.31.2002)	HB 2571, SD1	Relating to Taxation of Persons with Impaired Sight or Hearing or Who Are Totally Disabled That Are Engaged in Business . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	2
ACT 146 (06.07.2002)	HB 2454, SD1, CD1	Relating to Enterprise Zones . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	2
ACT 153 (06.07.2002)	HB 2568, HD1, SD1, CD1	Relating to the Collection of Taxes . . . . . ADMINISTRATIVE TAX MEASURES	1
ACT 174 (06.21.2002)	SB 2831, SD1, HD1, CD1	Relating to an Extension of the Residential Construction and Remodeling Income Tax Credit . . . . . INCOME TAX MEASURES	5
ACT 176 (06.25.2002)	HB 1256, HD2, SD2, CD1	Relating to Solid Waste Management . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	3
ACT 190 (06.25.2002)	HB 1996, SD1, CD1	Relating to the Administration of Taxes . . . . . INCOME TAX MEASURES	5
ACT 206 (06.25.2002)	SB 2582	Relating to Captive Insurance . . . . . MISCELLANEOUS TAX MEASURES	7
ACT 209 (06.28.2002)	HB 1684, HD1, SD2	Relating to State and Local Taxation of Mobile Telecommunications Services . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	3
ACT 223 (06.28.2002)	SB 2824, SD2, HD1, CD1	Relating to Conformity of the Hawaii Income Tax Law to the Internal Revenue Code . . . . . INCOME TAX MEASURES	6
ACT 225 (06.28.2002)	HB 2720, HD1, SD1, CD1	Relating to the Use Tax . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	4
ACT 230 (06.28.2002)	SB 2036, SD1, HD2, CD1	Relating to Education . . . . . INCOME TAX MEASURES	6
ACT 236 (06.28.2002)	SB 2885, SD2, HD1	Relating to Taxation . . . . . GENERAL EXCISE / USE / PSC TAX MEASURES	4
ACT 245 (07.01.2002)	HB 2638, HD2, SD1, CD1	Relating to the Hawaii Long-term Care Financing Act . . . . . OTHER RELATED MEASURES	8
ACT 246 (07.01.2002)	HB 2741, HD2, SD2, CD1	Relating to the Cigarette and Tobacco Tax . . . . . MISCELLANEOUS TAX MEASURES	7
ACT 251 (07.01.2002)	SB 2416, SD2, HD2, CD2	Relating to the Hawaii Long-term Care Financing Act . . . . . OTHER RELATED MEASURES	8
VETO (06.24.2002)	SB 2383, SD2, HD2, CD1	Relating to Taxation to Stimulate the Economy . . . . . VETOED MEASURES	9
VETO (06.24.2002)	SB 2907, SD2, HD2, CD1	Relating to Taxation . . . . . VETOED MEASURES	9
VETO (06.20.2002)	SB 2985, SD2, HD2, CD1	Relating to Qualified Improvement Tax Credit . . . . . VETOED MEASURES	10